

**M e m o r a n d u m**DATE OCT 07 2011RECD. OCT 07 2011

To: Carla Peterman, Commissioner, Presiding Member  
 Karen Douglas, Commissioner, Associate Member  
 Raoul Renaud, Hearing Officer

Date: October 7, 2011

From: **California Energy Commission** – Alan Solomon  
 1516 Ninth Street  
 Sacramento, CA 95814-5512  
 Project Manager

Telephone: (916) 653-8236

Subject: **Watson Cogeneration Steam and Electric Reliability Project (09-AFC-1)  
 STATUS REPORT #11 AND RESPONSE TO COMMITTEE ORDER**

Pursuant to the Revised Committee Schedule, Staff published the Final Staff Assessment (FSA) on August 31, 2011 and conducted a FSA workshop on September 28, 2011.

**Final Staff Assessment Workshop Discussion****Soil and Water**

Energy Commission Staff and the applicant continue to discuss the Soil and Water conditions. In particular, there are four central areas of disagreement regarding Water between Watson and the Energy Commission Staff:

- 1) Baseline fresh water use at Watson Cogen that would be the basis for a freshwater cap over all five trains ( 4219 afy (Energy Commission) v 4609 afy (Watson)),
- 2) Timing of an executed agreement for reclaimed water.
- 3) If water use exceeds the cap, Watson proposed allowing the CPM to adjust the freshwater cap. (Page 4.9.-59 of Watson's Revised Water section). Conditions proposed by Energy Commission Staff provide for a hard cap and would require an amendment for any freshwater water use above the cap.
- 4) Differences in how to quantify and identify the source of condensate return water.

Continuing the Water Discussion at the Pre-Hearing Conference

The applicant and Energy Commission Staff made good progress in bridging these differences at the September 28, 2011 FSA workshop and both sides would like to continue this discussion at the October 17, 2011 prehearing conference. Specifically, we propose that the Committee convene the conference and then adjourn to allow for a workshop among the parties to resolve the remaining issue. If, after some limited time, the parties cannot agree, the conference should continue and we will identify Water as an issue that must be adjudicated.

**Air Quality**

At the September 28, 2011 workshop, representatives from the South Coast Air Quality Management District (SCAQMD) provided a letter and discussed their concerns regarding the prevention of significant deterioration (PSD) permit requirements for greenhouse gases (GHG).

As of September 28, 2011, the applicant had not filed its PSD application with either SCAQMD or with the US Environmental Protection Agency (EPA). The appropriate entity for filing the PSD application is currently the US EPA, but that will shift to the SCAQMD once they are deemed to have delegated authority or once their Rule 1714 is approved in the State Implementation Plan (SIP). The timing of these is uncertain; presently, the EPA has not

approved the State Implementation Plan for the SCAQMDs Rule 1714 nor have they proposed a delegation agreement with SCAQMD for PSD.

SCAQMD said that if and when they receive a PSD permit application, they would conduct an analysis and issue a PSD permit as an addendum or supplement the March 16, 2011 Final Determination of Compliance (FDOC). If the FDOC addendum revises or adds conditions of certification that are state or locally enforced, then the Energy Commission will need to adopt those changes so that the conditions of certification in the Air Quality GHG section are the same as the conditions listed in the FDOC.

### **October 7, 2011 Scheduled Filing**

On October 7, 2011 Staff is required to file opening testimony, witness lists, and identification of contested issues. Please accept the Final Staff Assessment as Staff's opening testimony. The witness list (including and declarations and resumes) are included in the FSA.

The only contested issues that Staff have concern Soil and Water, which are identified above.



**BEFORE THE ENERGY RESOURCES CONSERVATION AND DEVELOPMENT  
COMMISSION OF THE STATE OF CALIFORNIA  
1516 NINTH STREET, SACRAMENTO, CA 95814  
1-800-822-6228 – WWW.ENERGY.CA.GOV**

**APPLICATION FOR CERTIFICATION  
FOR THE *WATSON COGENERATION STEAM  
AND ELECTRICITY RELIABILITY PROJECT***

DOCKET NO. 09-AFC-1  
PROOF OF SERVICE LIST  
(Revised 8/15/11)

**APPLICANT**

Ross Metersky  
BP Products North America, Inc.  
700 Louisiana Street, 12th Floor  
Houston, Texas 77002  
[ross.metersky@bp.com](mailto:ross.metersky@bp.com)

**APPLICANT'S CONSULTANTS**

URS Corporation  
Cynthia H. Kyle-Fischer  
8181 East Tufts Avenue  
Denver, Colorado 80237  
[cindy\\_kyle-fischer@urscorp.com](mailto:cindy_kyle-fischer@urscorp.com)

**COUNSEL FOR APPLICANT**

Chris Ellison  
Ellison Schneider and Harris LLP  
2600 Capitol Avenue, Suite 400  
Sacramento, CA 95816  
[cte@eslawfirm.com](mailto:cte@eslawfirm.com)

**INTERESTED AGENCIES**

California ISO  
[e-recipient@caiso.com](mailto:e-recipient@caiso.com)

**INTERVENORS**

California Unions for Reliable Energy  
(CURE)  
c/o: Tanya A. Gulesserian  
Marc D. Joseph  
Adams Broadwell Joseph & Cardozo  
601 Gateway Boulevard, Suite 1000  
South San Francisco, CA 94080  
[tgulesserian@adamsbroadwell.com](mailto:tgulesserian@adamsbroadwell.com)

**ENERGY COMMISSION –  
DECISIONMAKERS**

CARLA PETERMAN  
Commissioner and Presiding Member  
[cpeterma@energy.state.ca.us](mailto:cpeterma@energy.state.ca.us)

Jim Bartridge  
Adviser to Commissioner Peterman  
[jbartrid@energy.state.ca.us](mailto:jbartrid@energy.state.ca.us)

KAREN DOUGLAS  
Commissioner and Associate Member  
[kldougla@energy.state.ca.us](mailto:kldougla@energy.state.ca.us)

Galen Lemei  
Adviser to Commissioner Douglas  
[glemei@energy.state.ca.us](mailto:glemei@energy.state.ca.us)

Raoul Renaud  
Hearing Officer  
[rrenaud@energy.state.ca.us](mailto:rrenaud@energy.state.ca.us)

**ENERGY COMMISSION STAFF**

Alan Solomon  
Project Manager  
[asolomon@energy.state.ca.us](mailto:asolomon@energy.state.ca.us)

Christine Hammond  
Staff Counsel  
[chammond@energy.state.ca.us](mailto:chammond@energy.state.ca.us)

**ENERGY COMMISSION – PUBLIC  
ADVISER**

Jennifer Jennings  
Public Adviser's Office  
*e-mail service preferred*  
[publicadviser@energy.state.ca.us](mailto:publicadviser@energy.state.ca.us)

\*indicates change

DECLARATION OF SERVICE

I, Maria Santourdjian, declare that on, October 7, 2011, I served and filed copies of the attached Status Report #11 and Response to Committee Order for BP Watson Project (09-AFC-1), dated October 7, 2011. The original document, filed with the Docket Unit or the Chief Counsel, as required by the applicable regulation, is accompanied by a copy of the most recent Proof of Service list, located on the web page for this project at: [[www.energy.ca.gov/sitingcases/watson/index.html](http://www.energy.ca.gov/sitingcases/watson/index.html)].

The document has been sent to the other parties in this proceeding (as shown on the Proof of Service list) and to the Commission's Docket Unit or Chief Counsel, as appropriate, in the following manner:

*(Check all that Apply)*

For service to all other parties:

- Served electronically to all e-mail addresses on the Proof of Service list;
- Served by delivering on this date, either personally, or for mailing with the U.S. Postal Service with first-class postage thereon fully prepaid, to the name and address of the person served, for mailing that same day in the ordinary course of business; that the envelope was sealed and placed for collection and mailing on that date to those addresses **NOT** marked "e-mail preferred."

**AND**

For filing with the Docket Unit at the Energy Commission:

- by sending an original paper copy and one electronic copy, mailed with the U.S. Postal Service with first class postage thereon fully prepaid and e-mailed respectively, to the address below (preferred method); **OR**
- by depositing an original and 12 paper copies in the mail with the U.S. Postal Service with first class postage thereon fully prepaid, as follows:

CALIFORNIA ENERGY COMMISSION – DOCKET UNIT  
Attn: Docket No. 09-AFC-1  
1516 Ninth Street, MS-4  
Sacramento, CA 95814-5512  
[docket@energy.state.ca.us](mailto:docket@energy.state.ca.us)

**OR, if filing a Petition for Reconsideration of Decision or Order pursuant to Title 20, § 1720:**

- Served by delivering on this date one electronic copy by e-mail, and an original paper copy to the Chief Counsel at the following address, either personally, or for mailing with the U.S. Postal Service with first class postage thereon fully prepaid:

California Energy Commission  
Michael J. Levy, Chief Counsel  
1516 Ninth Street MS-14  
Sacramento, CA 95814  
[mlevy@energy.state.ca.us](mailto:mlevy@energy.state.ca.us)

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct, that I am employed in the county where this mailing occurred, and that I am over the age of 18 years and not a party to the proceeding.

Originally Signed by \_\_\_\_\_  
Maria Santourdjian